



Michigan Bankers Association

# MEMO

**TO:** Michigan House Education Committee  
**FROM:** John Llewellyn, Vice President Gov't Relations  
David Worthams, Policy Director  
**DATE:** 2/18/16  
**Re:** HB 5036(McCready) – Opposed

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The Michigan Bankers Association (MBA) is opposed to HB 5036(McCready) and wish to share our concerns with the bill with you.

Our concerns revolve around two main issues:

1. The bill would allow for public money to be deposited with a financial institution that does not have a physical presence in Michigan (either principal office or branch office). It does not seem appropriate that the public tax dollars of a Michigan unit of government or school district be sent to a non-Michigan bank. These deposits spur economic growth in the Michigan communities that our members serve. These funds also create the ability for a financial institution to provide loans to help small businesses start up and thrive. It is easier shift these funds to help local economies by maintaining these deposits in a Michigan bank rather than somewhere out of state in order to earn a fraction (in the form of a better interest rate) of the economic impact that a Michigan bank can do.

Michigan banks, most likely, all will experience an increasing trend of mergers and acquisitions. This could actually decrease the number of Michigan chartered institutions, especially those that do not have public deposits. Fewer Michigan-chartered banks mean less decision makers from our state on the front lines available to facilitate Michigan's economic turnaround. It is easier and more beneficial for a Michigan banker to support a local business or consumer, rather than a faceless name based in another state.

2. The bill will create an inconsistency in Michigan law. Counties, cities, villages, and other public entities and funds are restricted to keeping their public deposits in institutions that have their principal office or a branch in Michigan, as found in the following sections of the Michigan Compiled Laws:

- **MCL 38.1140c** (PA 314 of 1965 – Public Employee Retirement System Investment Act)
- **MCL 129.16** (PA 40 of 1932 (1<sup>st</sup> Ex. Sess.) – Depositories for Public Moneys)
- **MCL 129.40** (PA 99 of 1909 – Depositories for Public Moneys)
- **MCL 129.45** (PA 321 of 1909 – Deposit and Safeguarding of Public Moneys of Village)
- **MCL 129.81** (PA 23 of 1934 (1<sup>st</sup> Ex. Sess.) – Investment in Bonds of Home Owners' Loan Corporation and of Federal Home Loan Banks)
- **MCL 129.91** (PA 20 of 1943 – Investment of Surplus Funds of Political Subdivisions)
- **MCL 129.112** (PA 367 of 1982 – Surplus Funds Investment Pool Act)
- **MCL 129.263** (PA 225 of 2005 – Michigan Tobacco Settlement Finance Authority Act)

It seems as if the bill is not ripe for action because the public policy of the state would be incomplete and inconsistent. A review of current bills that have been introduced during the 98<sup>th</sup> Legislature shows that there are currently no bills that amend these sections of the MCL available to be used as vehicles to enact a complete change in Michigan public policy.

Policy makers should also be aware that many of our neighboring states restrict their public deposits to those institutions that have a principal or branch office in the state, specifically Indiana<sup>1</sup>, Ohio<sup>2</sup>, and Wisconsin<sup>3</sup>.

We urge you to be cautious as you review HB 5036 and the general public policy concerning the safekeeping of Michigan public moneys. Should you have any questions on our concerns, please contact us at your convenience.

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<sup>1</sup> Indiana Code, 5-13-4-10  
<sup>2</sup> Ohio Revised Code, 135.03  
<sup>3</sup> Wisconsin Statutes, 34.09